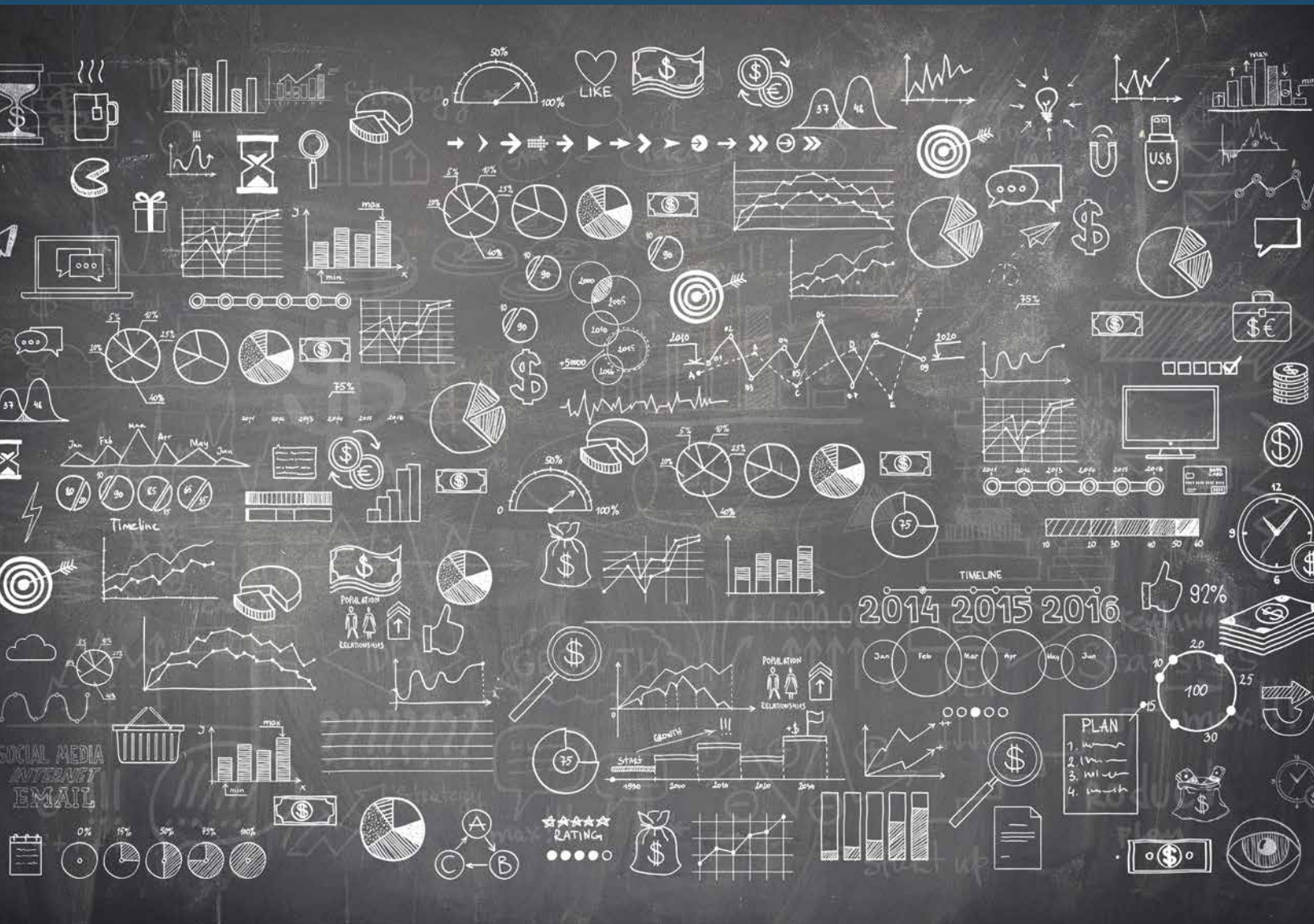


INSIGHTS

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7 BANKING TRENDS TO WATCH IN 2016



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In 2015, we have seen increased regulatory scrutiny as the various supervisory bodies look to reform the banking industry. A new culture of ever increasing regulatory intrusion and best practice continues to be set by the Federal Reserve and OFSI. The aim of this increased crackdown is to support resilience of individual institutions and the system as a whole.

Over the course of 2015, we have also seen increased emphasis on improving customer experience and supporting better customer outcomes. That is why organizations are beginning to understand the critical role of data in helping them become more customer centric. Looking ahead to 2016, it's clear that there will be a continued focus on implementing best practice regulatory requirements and an increased emphasis on customer-centricity.

Here's my round-up of the top seven trends to prepare for in 2016:



1. The IFRS 9 Deadline Draws Near

In January 2018, banks will have to change the process that calculates their credit impairments. While 2018 may seem quite a long way off, there is a lot of work to be done in order to meet the requirements on time. By the end of 2016, organizations should have completed the design and build of risk and finance models, and be validating the models in order to gain governance approval prior to implementation and parallel run.



2. Increased Focus on Stress Testing and ICAAP

Stress testing will continue to develop in the United States and Canada and become an increasingly important supervisory tool. Financial institutions will need to think about how to join up their risk management and stress testing responses. While the Federal Reserve has limited concurrent stress testing to firms with retail deposits greater than \$10 billion, a new emphasis on Internal Capital Adequacy Assessment Process (ICAAP) will make stress testing important for every financial institution in the United States. In Canada all financial institutions governed by OFSI must perform stress testing.



3. Making Sense of Data will Become Critical

It is time for financial institutions to get serious about big data. During 2015, the focus was more on infrastructure and all the costs associated with it. What seems to be missing in the bigger picture is the true value of big data to drive practical, actionable strategic insights. What's more, appetite from regulators for more granular data has been growing since the financial crisis. Overall it will be increasingly important for firms to produce reliable and meaningful data.

4. Innovation will Improve the Customer Experience

In order to meet the needs of today's savvy consumers, banks have to provide a joined-up 24/7 customer experience. Those who embrace this, and align these experiences with measures to increase customer value, will be the ones who succeed. Those who are successful will be able to offer advice and support to customers at every touch point from brand advertising to social media complaints. The power of delivering an excellent customer experience can never be underestimated.

5. Consumers will Demand a Personalized Experience

Organizations will need to gain new insights about their customers, including who they are and how they behave, and then use this information to predict their future needs. New tools and predictive modelling will create a shift towards more customer-centric customer communications. As banks get to grips with this, they will be able to work out exactly which combinations of contacts, products and offers the customer prefers to receive. This will mean that banks can take the most appropriate action based on the customer's needs, lifestyle, preferences and value to the bank.

6. Optimization will Become the Ultimate Business Tool

Optimization allows you to make the best decisions in the current circumstances according to a whole host of factors and in a wide range of business processes. It's applicable to almost any business process where robust data sets exist, and will be used more widely in 2016 for marketing, customer pricing, customer value modelling, collections and even fraud.



7. Internal teams will work much more closely together

The key banking challenges of 2016 will no longer just affect the credit risk teams in silo. From the regulatory requirements through to the challenges of providing the ultimate customer experience will impact every department across the bank. This means that teams will need to work much more closely together to thrive and survive in the new banking world.

In addition, regulators are paying close attention to senior management involvement, and expect them to be fully involved in all key requirements.

Get ahead today

Many industry analysts are reporting that business volumes are steadily growing and confidence is improving, with optimism across the sector rising. So, while it is reported that costs are being kept under control and profitability improving, it's time for banks to look to the future and make the most of opportunities available now.

Those who get ahead now, put themselves in good standing to not only meet regulatory requirements on time, but to also provide the best customer experience and support better customer outcomes.



ABOUT WELLINGTON

Wellington Consulting Group is a leading Canadian consulting firm that focuses on the financial services sector. We assist clients in the development and implementation of their strategies. Our core skill is helping client's turn their strategies into results. Our core services are program management, organizational change management, business transformation through data governance and analytics, investment accounting transformation, finance business transformation, and technology and process implementation.

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Michael is Wellington's Chief Imagineer. He takes large complicated business strategies and turns them into practical real world solutions that deliver business results. With more than 15 years of experience in financial services and consumer products sectors around the world, Michael brings a passion for effecting change and driving business transformation. Over the past 10 years, he has helped deliver complex projects that have transformed business and helped them embrace new ways to achieve success.

At Wellington Consulting Group, we pride ourselves on having a long list of clients that understand that first and foremost we are there to make them successful during the transformation and preparing for them to work without us after the transformation.

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